

Message Text

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ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-05 NSAE-00 RSC-01 CG-00 COA-01 DLOS-03

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TAGS: EWWT, CE

SUBJ: SRI LANKA SHIPPING: CONFLICT WITH CEYLON-USA CONFERENCE

REF: STATE 227821

SUMMARY: LOCAL SHIPPING OFFICIALS AND RECENT PRESS ARTICLES STRENGTHEN IMPRESSION GIVEN REFTEL THAT GSL SHIPPING AUTHORITIES AND CEYLON-USA CONFERENCE (CUSAC) RELATIONSHIP IS WORSENING AND POSSIBLY MOVING TOWARD CONFRONTATION OVER BUNKER SURCHARGE PROBLEM. EMBASSY SUGGESTS APPROPRIATE USG OFFICIALS CONTACT CUSAC INFORMALLY IN INTEREST AMICABLE RESOLUTION SURCHARGE AND OTHER OUTSTANDING ISSUES. END SUMMARY.

1. IT IS CLEAR FROM REFTEL AND DISCUSSIONS WE HAD OCT 23 WITH CENTRAL FREIGHT BUREAU (CFB) MANAGER AND AITKEN SPENCE (WATERMAN'S) SENIOR LOCAL OFFICIAL THAT DIFFICULT BUT NOT INTRACTABLE CONFRONTATION NOW EXISTS BETWEEN GSL SHIPPING MINISTRY AND CEYLON-USA CONFERENCE (CUSAC). ON OCT 18 CFB CIRCULARIZED EXPORTERS THAT \$24 PER TON BUNKER SURCHARGE FEB 1, 1974 WAS REDUCED
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OCT 15 TO \$22.50. HOWEVER, CIRCULAR STATED,

"THE CONFERENCE HAS STILL NOT BEEN ABLE TO PROVIDE DATA TO JUSTIFY THE SURCHARGE...THE BUREAU FEELS THAT THE REDUCTION SHOULD BE VERY MUCH MORE....AND WE ARE THEREFORE PURSUING THIS MATTER FURTHER. IN THE MEANTIME, SHIPPERS ARE REQUESTED TO CONTINUE TO PAY THE REDUCED BUNKER SURCHARGE UNDER PROTEST."

2. CFB AND AITKEN SPENCE OFFICIALS ACCOUNTS OF KARANDAWELA VISIT ARE ESSENTIALLY IN AGREEMENT WITH REFTEL. HOWEVER, AITKEN SPENCE MAN ADDED THAT CUSAC WOULD ON OCT 2 INVOKE REQUIREMENT ANNOUNCED EARLIER THAT ALL SHIPPING CHARGES WOULD HAVE TO BE PAID AT DESTINATION IN FOREIGN EXCHANGE. BOTH SOURCES SAID THEY BELIEVED FEDERAL MARITIME OFFICIALS WERE SYMPATHETIC TO CEYLONESE CASE.

3. OCT 23 GOVT-CONTROLLED "CEYLONE OBSERVER" CARRIED ARTICLE DESCRIBING SURCHARGE REDUCTION AND PAYMENT-AT-DESTINATION REQUIREMENT. ARTICLE QUOTED SHIPPING MINISTRY SPOKESMAN AS SAYING SRI LANKA CONSIDERS REDUCTION COMPLETELY UNSATISFACTORY AND THAT CHARGE IS "EXCESSIVE AND EXORBITANT." SPOKESMAN SAID, "WE WANT THIS CHARGE REDUCED TO \$10.50 PER TON." ARTICLE WENT ON TO SAY CEYLONESE POSITION WAS SUPPORTED BY AMERICAN TEA ASSOCIATION WHICH HAD COMPLAINED TO FEDERAL MARITIME COMMISSION ABOUT CUSAC AND WHICH HAD COMPLIMENTED CFB ON SUCCESS OF FREIGHT RATIONALIZATION PROGRAM AND IMPROVED EFFICIENCY OF SRI LANKA PORTS.

4. OCT 25 "OBSERVER" HAS EVEN STRONGER ARTICLE QUOTING ACTING CFB CHAIRMAN AND MERCHANT SHIPPING DIRECTOR OF SHIPPING MINISTRY DAVID SOYSA AS SAYING 13-HOUR OFFICIAL NOTICE GIVEN HERE BY CUSAC OF FREIGHT CHARGE PAYMENT AT DESTINATION REQUIREMENT IS "ABSOLUTELY ATROCIOUS" BUT HE DID EXPLAIN CUSAC HAD MADE EARLIER NOTIFICATION THAT REQUIREMENT MIGHT BE IMPOSED. (WE UNDERSTAND FROM GOOD AUTHORITY THAT SOYSA IS TOTALLY UNSYMPATHETIC TO AMERICAN SHIPPING INTERESTS). ACCORDING ARTICLE, SOYSA SAID INADEQUATE NOTIFICATION VIOLATED CODE LIMITED OFFICIAL USE

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OF CONDUCT FOR LINER CONFERENCES, WHICH US HAD OPPOSED ALONG WITH SOME OTHER MAJOR SHIPPING COUNTRIES; THAT PAYMENT REQUIREMENT DIRECTLY RESULTS FROM BUNKER SURCHARGE CONFRONTATIONS; THAT REQUIREMENT WAS IMPOSED BECAUSE GSL FOREIGN EXCHANGE AUTHORITIES HAVE BLOCKED ABOUT \$5015000 IN ACCRUED FREIGHT CHARGES PAID IN PROTEST; AND THAT SHIPPING AUTHORITIES HERE REGARD "IMOQUITOUS AND INFLATED BUNKERING SURCHARGE" AS PURELY MEANS OF IMPOSING FREIGHT RATE

INCREASE.

5. CONCERNING SHIPPING MINISTRY DESIRE FOR SPECIAL AGREEMENT WITH WATERMAN AND POSSIBLY SPECIAL RATES OUTSIDE CONFERENCE SCALES FOR LASH SHIPS, AITKEN SPENCE OFFICIAL SAID SURCHARGE ISSUE COULD BE NEGATIVE INFLUENCE BUT CONFIRMED THIS BELIEF THAT PROLBEM COULD BE RESOLVED AND THAT EXPECTED EARLY DECEMBER LASH SHIP CALL WOULD PROCEED.

5. COMMENT: WE HAVE CONSISTENTLY TAKEN POSITION WITH ALL PARTIES THAT USG IS NEUTRAL IN THESE MATTERS AND THAT ISSUES BETWEEN CUSAC AND GSLSHIPPING AGENCIES SHOULD BE SETTLED DIRECTLY. WE NOW WONDER, HOWEVER, WHETHER MORE DIRECT EXPRESSION OF OUR INTEREST IN SATISFACTORY SOLUTION MIGHT NOT HELP SITUATION. GIVEN FMC'S APPARENTLY STATED SYMPATHY TO AMB KANAKARATNE AND SECRETARY KARANDAWELA, WE SUGGEST THAT FMC OR OTHER APPROPRIATE USG OFFICIALS IN US RAISE SUBJECT INFORMALLY WITH CUSAC. REQUEST DEPTS REACTION.

6. WE HAVE JUST LEARNED GSL INTENDS CABLE OFFICIAL PROTEST TO FEDERAL MARITIME COMMISSION.
VAN HOLLEN

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